

# UTAH INSURANCE DEPARTMENT

## ANNUITY FILING GUIDELINES

UPDATED - NOVEMBER 2004

### IMPORTANT NOTICE

Since Utah adopted the new ANNUITY FLOATING INTEREST RATE method in May 2004, we have received numerous incomplete filings. In an attempt to assist insurers, we initiated a combination review for both completeness and compliance. If there was a problem, we issued a prohibition order along with a check-list. Upon receipt of the response to the order, we again checked for completeness and compliance. However, the new material was often inconsistent with the original documents, necessitating additional correspondence back to the insurer. This process is counter-productive and time consuming for both insurers and the department.

Therefore, filings submitted after the date of these guidelines that are incomplete or otherwise fail to comply with Rule R590-227, SUBMISSION OF ANNUITY FILINGS, will be rejected and returned without suggestions and as if the filing had not been submitted. These guidelines are provided as a supplement to Rule R590-227; they are not a replacement.

WE URGE INSURERS TO READ THESE REVISED GUIDELINES AND TO CONTACT THE DEPARTMENT IF THERE ARE QUESTIONS.

View the Standard Nonforfeiture Law for Deferred Annuities, Utah Code Annotated (U.C.A.) 31A-22-409

<http://www.le.state.ut.us/~code/TITLE31A/htm/31A16042.htm>

Rule R590-227: <http://www.insurance.utah.gov/rules/R590-227.htm>

Please read the nonforfeiture law, the rule, and the guidelines before submitting an annuity filing.

#### 1. THE FILING MUST INCLUDE THE FOLLOWING ITEMS:

- **Cover letter and/or transmittal description required by R590-227-6(1)(b):**
  - **Identify** which annuity nonforfeiture law crediting method is used in the submitted form;
    - 3% fixed interest rate; OR floating nonforfeiture rate method.
  - **Identify and describe** all accounts in the annuity:
    - Fixed interest, equity indexed, modified guaranteed, or registered separate accounts.
  - **Describe in detail** the annuity benefits, features, and any unusual provisions.
  - **Describe the marketing**, the method of marketing, the market intended.
- **Annuity Filing Certification required by R590-227-6(2):**
  - Review the form being submitted and complete every line with the page number in the form.
  - Identify the interest rates and surrender charges.
  - Complete pages 1 and 2.
  - An inaccurate filing certification may subject the insurer to administrative action. Refer to Rule R590-227-6(2).
  - **NOTE:** When filing a variable annuity contract with a fixed interest option, complete the Fixed Deferred Annuity section on page 2.
- **A Statement of Variability required by R590-227-6(5):**
  - List all variable factors;
  - List the ranges of variable items within brackets [ ];
    - List the ranges of issue ages, surrender charges, interest terms, bonuses, etc.
    - A bonus or additional interest credit of 0% is unacceptable.
  - For Equity Indexed Annuity forms, list all crediting factors, such as participation rates, caps, the index, etc.

**For the floating interest method, list:**

- Range of the guaranteed minimum interest rates (\_\_\_% to \_\_\_%); and
  - Guaranteed minimum interest rate (\_\_\_%) for current issues.
- Range of the nonforfeiture rates (\_\_\_% to \_\_\_%); and
  - Nonforfeiture rate (\_\_\_%) for current issues.
- Relationship of the minimum crediting rate to the nonforfeiture rate:
  - Is the guaranteed minimum interest rate at least as great as the nonforfeiture rate or is the minimum interest rate less than the nonforfeiture rate?
- Describe whether the rates are set for the life of the contract or may be redetermined.

**2. THE CONTRACT MUST INCLUDE THE FOLLOWING PROVISIONS:**

- **For contracts using the 3% fixed interest method see UCA 31A-22-409(4):**
  - If the minimum crediting rate is equal to the nonforfeiture rate of 3%, list 3% in the contract; or
  - If the minimum crediting rate is less than 3%, list the rate (\_\_\_%) in the contract and include a floor of guaranteed minimum cash surrender values (such as 90% of premium accumulated at 3%).
- **For contracts using the floating interest method see UCA 31A-22-409(5):**
  - **If the minimum crediting rate is equal to or greater than the nonforfeiture rate**, then the contract must show the guaranteed minimum crediting rate, such as [2.0%]. The actuarial memorandum must show the nonforfeiture rate, such as [1.95%]; OR
  - **If the minimum crediting rate in any year is LOWER than the nonforfeiture rate**, then the annuity (including an Equity Indexed Annuity) must include **all** of the following:
    - The current minimum crediting rate, such as [1.50%] on the data page;
    - The current nonforfeiture rate, such as [1.95% based on CMTs], must be specified on the data page;
    - The guaranteed minimum nonforfeiture amount (the floor) must be described in detail, (such as 87½% of the premium accumulated at the nonforfeiture rate of 1.95%); and
    - A provision that the cash surrender value, death benefit, and annuitization value will be compliant at all times.
- The contract must describe whether the crediting rate is fixed for the lifetime of the contract or for an initial period and then redetermined for additional periods. Refer to U.C.A. § 31A-22-409(5).
- If the minimum crediting rate is to be redetermined, then the contract must provide the following. See U.C.A. 31A-22-409(5)(b):
  - Identify and describe: the initial period, the redetermination date, the redetermination basis and the redetermination period; and
  - Identify on the data page the initial minimum crediting rate [%] and the initial nonforfeiture rate [%].

**3. THE ACTUARIAL MEMORANDUM AND DEMONSTRATION MUST INCLUDE THE FOLLOWING:**

- **The actuarial memorandum** must comply with Rule R590-227-8 and must include, at a minimum:
  - Identification of the specific nonforfeiture law used in the filing:
    - U.C.A. 31A-22-409(4) the 3% fixed interest method; or
    - U.C.A. 31A-22-409(5) the floating interest method.
  - Description of all accounts and factors used to determine minimum nonforfeiture values, minimum cash surrender value, surrender charge percentages (%), equity indexed options, guaranteed interest terms, market value adjustments, and any new or unusual features.

- For contracts using the floating interest method, provide a detailed description of the nonforfeiture rate method; such as calculated quarterly, annually, etc.
  - Detailed description of the method used to calculate the minimum crediting interest rate. Include a sample calculation of the current crediting interest rate (list the rate %).
  - Description of the relationship of the minimum guaranteed crediting rate to the nonforfeiture rate; i.e., are both rates always equal or is the crediting rate ever less than the nonforfeiture rate?
  - **NOTE: Include a sample calculation** of the nonforfeiture interest rate for current issues. List the actual Constant Maturity Treasury (CMT) Rates used in the calculation and identify the resulting nonforfeiture rate %.
- **The actuarial demonstration** must comply with Rule R590-227-8. Include, at a minimum:
  - Demonstration must be done for representative premium patterns (for flexible premium products **both** single premium and level premium payment) and for **both** age 35 and the highest issue age.
  - Demonstration must show numerical compliance with Standard Nonforfeiture Law for Deferred Annuities, UCA 31A-22-409:
  - Must describe, at a minimum:
    - Account value, specifically list the surrender charge percentages (%), surrender charge amounts, surrender value, and minimum nonforfeiture amounts;
    - Retrospective test:
      - Demonstration must be based on the accumulation of percentages of premiums; and
      - For the 35 year old annuitant, must show accumulation of values to maturity (35 years to age 70);
    - Prospective test:
      - Demonstration must discount the contract's maturity value; and
      - Be based on the highest issue age and end at maturity (tenth anniversary);
    - Identification of all accounts in the contract;
    - Identification of each column in each test.
  - Demonstration must clearly identify the basis of all values (interest rates, bonuses, fees, surrender charges, etc.).
  - **A surrender charge may not be imposed on or past attained age 70 or the 10<sup>th</sup> anniversary, if later. See UCA 31A-22-409(10)**
  - Demonstration must assure compliance with the law for all allowable premium amounts (in particular, the lowest and highest premium allowed under the contract). A short narrative may be used to explain why it is enough to demonstrate for a particular premium.

**NOTE: Bulletins 2002-6 (Standard Nonforfeiture Law) and 2002-9 (Allowable Surrender Charge Schedules) remain in effect and apply to both nonforfeiture interest methods. See Standard Nonforfeiture Law for Deferred Annuities, UCA 31A-22-409.**

If you have questions, please contact:  
 Sandra Christensen – (801 538 3863) or email: [schristensen@utah.gov](mailto:schristensen@utah.gov)  
 RoseMarie Parkinson - (801 583 3862) or email: [rparkinson@utah.gov](mailto:rparkinson@utah.gov)

**Filings that fail to comply with Rule R590-227 and the above instructions  
will be rejected and returned to the filer.**